BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF ROCKY MOUNTAIN POWER'S APPLICATION TO UPDATE THE LOAD AND GAS FORECASTS USED IN ITS INTEGRATED RESOURCE PLAN AVOIDED COST MODEL	)	**CASE NO. PAC-E-19-18** **ORDER NO. 34535**

On November 7, 2019, Rocky Mountain Power ("Company"), a division of PacifiCorp, applied for approval of the updated load forecast, natural gas forecast, and contract information it intends to use in the incremental cost Integrated Resource Plan ("IRP") avoided cost methodology for qualifying facilities ("QFs") under the Public Utility Regulatory Policies Act of 1978 ("PURPA"). Application at 1. The Company indicated that the Application complies with Order Nos. 32697 and 32802. *Id.*

The Commission issued a Notice of Application and Notice of Modified Procedure establishing public comment and Company reply deadlines. Order No. 34496. On December 17, 2019 Commission Staff filed comments supporting the Company's Application. No other comments were filed, and the Company did not reply.

With this Order we approve the Company's Application.

BACKGROUND

Under PURPA, electric utilities must purchase electric energy from QFs at rates approved by the applicable state agency—in Idaho, this Commission. 16 U.S.C. § 824a-3; *Idaho Power Co. v. Idaho PUC*, 155 Idaho 780, 780, 316 P.3d 1278, 1287 (2013). The purchase or "avoided cost" rate shall not exceed the "'incremental cost' to the purchasing utility of power which, but for the purchase of power from the QF, such utility would either generate itself or purchase from another source." Order No. 32697 at 7, *citing Rosebud Enterprises v. Idaho PUC*, 128 Idaho 624, 917 P.2d 781 (1996); 18 C.F.R. § 292.101(b)(6)(defining "avoided cost").

The Commission has established two methods of calculating avoided cost, depending on the size of the QF project: (1) the surrogate avoided resource ("SAR") method, and (2) the IRP method. *See* Order No. 32697 at 7-8. The Commission uses the SAR method to establish what are commonly referred to as "published" avoided cost rates. *Id.* Published rates are available for wind and solar QFs[1] with a design capacity of up to 100 kilowatts ("kW"), and for QFs of all other

[1] *See* Order No. 33785 (regarding battery storage facilities).

resource types with a design capacity of up to 10 average megawatts ("aMW"). On the other hand, if a QF's design capacity is above the published rate eligibility caps, the utility must use the IRP method to negotiate a project-specific avoided cost rate with the QF. *Id.* at 2; Order No. 32176. The IRP method accounts for "many different variables and produces a[n avoided cost] result based on each individual utility's need for energy." Order No. 32697 at 17. The IRP method's variables are at issue here.

Regarding the IRP method, the Commission requires utilities to update fuel price forecasts and load forecasts each year on October 15. Order No. 32802 at 3. All other IRP method variables and assumptions remain fixed between the Company's biennial IRP filings. Order No. 32697 at 22. The Commission expects the utility's load and resource balance to account for long-term contract commitments, and PURPA contracts that have terminated or expired. *Id.*

THE APPLICATION

The Company explained that, if its Application was approved, the Company would incorporate its updated load forecast, natural gas forecast, and contract information into its IRP avoided cost model. The Company then would use the model to start negotiating contractual avoided cost rates as of October 15, 2019. Application at 2.

The Company's updated load forecast is from July 2019 and "showed a slight increase in load compared to the July 2018 load forecast provided in Case No. PAC-E-18-09 and approved by the Commission in Order No. 34213." *Id.* The Company also provided both the July 2019 and the July 2018 load forecasts for years 2019 through 2039. *See* Table 1.

The Company prepared its updated natural gas forecast on September 30, 2019 using the Official Forward Price Curve ("OFPC"). The updated natural gas forecast suggested that average natural gas prices will slightly decrease over the next 20 years compared to the September 28, 2018 OFPC. *Id.* at 3; *See* Table 2. The Company provided both the 2019 and the 2018 forecasts for years 2019 through 2038. *See* Table 2.

Finally, the Company summarized the contract termination, expiration, and additions it has experienced since its 2018 update. *Id.* at 3. The Company listed its new, terminated, and expired contracts in Table 3 to the Application. *Id.* at 7.

The Company asked the Commission to authorize the Company to use the updated information in the Company's IRP avoided cost calculations, effective October 15, 2019.

STAFF COMMENTS

Staff recommended the Commission approve the Company's Application. Staff compared the Company's annual system load forecast in the Application to last year's application in Case No. PAC-E-18-09, and believed the forecast was reasonable based on the comparison. Staff Comments at 2. Staff also believed the Company's natural gas price forecast was reasonable. *Id.* at 3. Staff compared the Company's 2019 Henry Hub forecast with its 2018 Henry Hub forecast from Case No. PAC-E-18-09. Staff also compared the forecast to those submitted by Avista and Idaho Power. *Id.* Staff believed the differences between the forecasts to be reasonable, particularly in the first few years of the forecasts, and that the forecasts predicting low future natural gas prices will continue to be reasonable because continued gas production from shale and tight oil plays should outpace gas demand. *Id.* at 3-4. Staff also verified the accuracy of the Company's contract information. *Id.* at 4.

COMMISSION FINDINGS AND DISCUSSION

The Commission has jurisdiction over the Company and the issues raised in this matter under Title 61 of the Idaho Code and PURPA. The Commission has authority under PURPA and Federal Energy Regulatory Commission ("FERC") regulations to set avoided costs, and to implement FERC rules. Also, the Commission is empowered to resolve complaints between QFs and utilities and to approve QF contracts.

Pursuant to this authority, we have reviewed and considered the record in this case, including the Company's Application and Staff's recommendation. We find that the Company's Application complies with this Commission's directives in Order Nos. 32697 and 32802. Based on our review of the totality of the updates, we find the updated inputs of the Company's IRP avoided cost calculations reasonable, and we accept them.

ORDER

IT IS HEREBY ORDERED that the Company's annual updates to its load and gas price forecasts and long-term contract status for the purpose of its incremental cost IRP methodology are accepted, effective as of October 15, 2019.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 17th day of January 2020.

PAUL KJELLANDER, PRESIDENT

KRISTINE RAPER, COMMISSIONER

ERIC ANDERSON, COMMISSIONER

ATTEST:

Diane M. Hanian
Commission Secretary

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